



Franklin Regional Council of Governments

Sean Cronin
Senior Deputy Commissioner of Local Services
Commonwealth of Massachusetts Department of Revenue
PO Box 9569
Boston MA 02114

July 3, 2018

Dear Commissioner Cronin,

Attached please find the Town of Deerfield's Financial Policies developed under the Baker-Polito Administration's Community Compact Program. Through its compact with the Division of Local Services, the Town of Deerfield agreed to develop financial policies to improve governmental functions. To assist the town, consulting services were provided by the Franklin Regional Council of Governments. Its Municipal Finance Specialist provided close guidance to and worked collaboratively with local officials leading to the successful completion of this project. The resulting attached document meets the following goals:

- Underscore the Town's commitment to financial management practices that conform to generally accepted accounting principles;
- Guide decision-makers on matters which have significant fiscal importance;
- Remain consistent from year to year and enhance stability and continuity in government;
- Promote sound annual budget practices and accountability in government;
- Advance the achievement of long-term town-wide goals, including capital investment;
- Provide for the maintenance of reserves so that the town is well-positioned to address emergency or unforeseen events;
- Reduce the Town's dependence on bond proceeds, and when borrowing is necessary, to protect the town's credit rating and in turn reduce issuance costs and taxpayer burden;
- Instill confidence among residents that taxpayer dollars and other town resources are spent wisely and responsibly;
- Reflect actions intended to help retain and enhance the character of the town and quality of life in it for residents.

The Town now has a reference and a tool for pursuing consistent practices and guiding sound decision-making. Congratulations to the Town for this accomplishment, and thanks to the Baker-Polito Administration for making these important improvements possible.

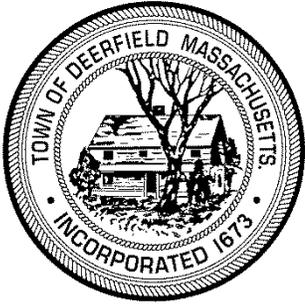
Sincerely,

A handwritten signature in black ink, appearing to read 'Linda Dunlavy', is written in a cursive style.

Linda Dunlavy, Executive Director
Franklin Regional Council of Governments

cc: Town of Deerfield Select Board, Town Administrator





Town of Deerfield

Financial Policies



8 Conway Street • Deerfield, MA 01373 • 413-665-1400

www.deerfieldma.us

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Town Financial Policies

PURPOSE

Financial policies establish a framework that can ensure future fiscal stability for the Town. They are intended to demonstrate to the credit rating industry and prospective investors the Town's commitment to sound financial management practices. If adhered to, these policies can lead to improvement of the Town's bond rating which translates to lower capital interest costs. Accepted policies are further intended to establish and clarify internal procedures for departments and employees in order to create a single set of rules that promote sound practices, equitably applied to all.

APPLICABILITY

All municipal officials, elected and appointed, involved with the annual budget development and the receipt, expenditure or management of town funds, plus Town Meeting as the appropriating authority have the obligation to comply with Town of Deerfield financial policies.

The Financial Policies of the Town shall take effect upon the review, consideration and formal approval of the Deerfield Selectboard and Finance Committee.

The Financial Policies of the Town shall be reviewed periodically. It shall be the responsibility of the Finance Committee to determine whether the operating and capital budget recommendations presented to it for approval comply with the financial policies of the Town.

While these Financial Policies are intended to encourage consistent, well-guided fiscal decisions from year-to-year, the Town recognizes that unforeseen or extraordinary circumstances can arise. In these instances, decision-makers will strive to ensure that any deviation from adopted Financial Policies will still remain faithful to the overall goals and objectives set by the Town.

POLICY

- Underscore the Town's commitment to financial management practices that conform to generally accepted accounting principles;
- Guide decision-makers on matters which have significant fiscal importance;
- Remain consistent from year to year and enhance stability and continuity in government;
- Promote sound annual budget practices and accountability in government;

- Advance the achievement of long-term town-wide goals, including capital investment;
- Provide for the maintenance of reserves so that the town is well-positioned to address emergency or unforeseen events;
- Reduce the Town's dependence on bond proceeds, and when borrowing is necessary, to protect the town's credit rating and in turn reduce issuance costs and taxpayer burden;
- Instill confidence among residents that taxpayer dollars and other town resources are spent wisely and responsibly;
- Reflect actions intended to help retain and enhance the character of the town and quality of life in it for residents.

Budget Guidelines

PURPOSE

Implementation of a well-founded budget process is a measure by which residents often gauge the performance of municipal government. The budget document itself is a mechanism for communicating town revenue setting policies, spending priorities and financial goals. A consistent budget process sets clear expectations for department heads and valuable predictability for residents from year-to-year.

APPLICABILITY

Adherence to Budget Guidelines is the responsibility of department heads and others with spending authority who present annual appropriation requests; of the finance and capital improvement committees who make revenue and expenditure recommendations; and to the Selectboard who approve approve the budget article for the Town Meeting warrant.

POLICY

- Development of the annual budget will consistently follow a process where responsibilities assigned to public officials are clear and a calendar for the completion of tasks is set;
- A balanced annual operating budget will be presented to Town Meeting for its approval;
- Efforts will be directed to producing a structurally balanced budget, that is, where recurring revenues fully fund recurring expenditures;
- One-time, or non-recurring, revenue will not be used to support recurring expenditures, but will be reserved for capital, emergency or other one-time costs;
- Revenue projections will be conservative with the intent to maximize the Town's ability to build and maintain Free Cash levels;
- Departmental appropriation requests in the spring will represent amounts needed to fund respective programs and services for the entire ensuing fiscal year;
- No department, board, committee, commission or person with spending authority will knowingly incur an appropriation deficit, unless already permitted by law;

- Free Cash certified in the Fall or overlay surplus whenever released will not be used to supplement department annual budgets during the fiscal year, but will be retained as a reserve for use in case of emergency or significant unforeseen circumstances. Any current use of free cash and overlay surplus as a General Fund revenue source will be phased-out over the next three fiscal years.
- The Town will strive to maintain a General Fund reserve, from all sources combined, at a level of no less than five (5) percent of annual General Fund revenues in the same year with preferred target of 10 percent.

Financial Management Team

PURPOSE

A Financial Management Team is a means to enhance coordination and communication among finance-related Department Directors. Regular meetings give staff equal standing to raise issues, float ideas and express opinions. Inter-departmental issues can be addressed and progress on required submissions and other projects can be monitored. The Financial Management Team can also serve as a resource for the Board of Selectmen and Finance Committee by providing financial analyses and alternative approaches to anticipated problems.

APPLICABILITY

This policy applies in large part to the town administration who would lead the Town's Financial Management Team.

POLICY

- Members shall include the Town Administrator, Town Accountant, Town Treasurer / Collector, School Business Manager and Assessors' Clerk;
- The Town Administrator shall set meeting agendas and call meetings which shall be quarterly and otherwise as circumstances necessitate;
- Among its responsibilities, the Financial Management Team may:
 - review the progress of required submissions to the Department of Revenue, as well as to other state and Federal agencies, including the Tax Recap, Schedule A, and Balance Sheet, and address issues that might prevent timely filings or outcomes;
 - assist in the development of an annual budget calendar and in the formulation of revenue projections;
 - identify future fiscal events and develop alternative strategies to avert potential negative outcomes;
 - discuss inter-departmental communication and cooperation, and resolve issues;
 - assess and report on the effectiveness of the Town's financial policies;

- develop new ideas and approaches to enhance efficiency in government
- respond to requests from the Selectboard or Finance Committee for financial information, data and analyses.

Free Cash Policy

PURPOSE

Free Cash is a General Fund surplus from the prior fiscal year that is available for appropriation after July 1 and only when certified by the State Department of Revenue. Free Cash is generated when actual revenue collections are in excess of estimates and when actual expenditures are less than appropriations at fiscal year-end. Also included is unexpended Free Cash from the prior year, all of which is reduced by year-end deficits and other off-sets, if any.

APPLICABILITY

This policy applies to the Town Administrator and Finance Committee as formulators of the Town's annual budget and to Town Meeting as final decision-makers relative to town appropriations and spending.

POLICY

- It is the policy of the Town that Free Cash is viewed as a one-time, or non-recurring, revenue source.
- It is the goal of the Town to generate certified Free Cash at a level no less than five (5) percent of annual General Fund revenues.
- Free cash shall be exclusively appropriated to:
 - Capital Stabilization Fund
 - O.P.E.B Liability Trust Fund (Other Post-Employment Benefits)
 - General Stabilization Fund.
- Free cash shall not normally be used to offset General Fund expenses, or for any other recurring expense. If appropriated for a specific spending purpose or if used to reduce the tax rate, the amount of Free Cash so appropriated or used shall be limited in total during the fiscal year to 2.5 percent of General Fund revenues.

General Stabilization Fund Policy

PURPOSE

The Town's General Stabilization Fund is a reserve intended to provide long-term financial stability while also improving the Town's credit worthiness and fiscal flexibility. Stabilization Funds are established under Chapter 40, §5B of Massachusetts General Laws and can be revenue source for any lawful municipal purpose. Money is appropriated into the Fund by majority vote of Town Meeting and can be expended by Town Meeting approval but only by two-thirds vote.

APPLICABILITY

This policy applies to the Town Administrator and Finance Committee as formulators of the Town's annual budget and to Town Meeting as final decision-makers relative to town appropriations and spending.

POLICY

In the management and use of its General Stabilization Fund, it shall be the goal of the Town:

- to achieve and maintain a fund balance at no less than eight (8) percent of annual General Fund operating revenues;
- to use the fund balance as a means to avoid the incurrence of debt and, in particular, the issuance and interest costs associated with borrowing.
- to permit the use of only that portion of the Stabilization Fund balance that exceeds eight (8) percent of the operating revenues in any fiscal year;
- to restrict the appropriation of Stabilization Funds to financing, as a direct dollar outlay, facility improvements, highway equipment, or major building repairs.

Capital Stabilization Fund Policy

PURPOSE

A Capital Stabilization Fund is a Special Purpose Fund established under MGL Chapter 40, §5B. The goal of a special purpose stabilization fund is to set aside and earmark money to only be used for defined purposes. Money is appropriated into the Fund by majority vote of Town Meeting and can be expended by Town Meeting approval but only by two-thirds vote.

APPLICABILITY

This policy applies to the Town Administrator and Finance Committee as formulators of the Town's annual budget and to Town Meeting as final decision-makers relative to town appropriations and spending.

POLICY

- A capital expenditure may be, but is not limited to, furniture, fixtures, equipment, purchase of real property, or improvement of real property, or any item costing more than \$10,000, and a useful life of at least 3 years.
- A two-thirds vote of the annual or a special town meeting is required to appropriate from the Capital Stabilization Fund.
- It shall be the policy of the Town to annually appropriate from Free Cash a sum equal to 0.75 percent to 2.00 percent of General Fund revenues to the Capital Stabilization Fund.

Reserve Fund Policy

PURPOSE

The establishment and use of a Town Reserve is authorized by MGL Chapter 40, Section 6 for emergency or unforeseen expenditures. The Finance Committee has sole authority to approve its use when, in its opinion, an unforeseen or emergency circumstance exists. Any year-end reserve fund balance that remains unspent potentially flows to Free Cash. This policy is intended to set rules for the use of the Town Reserve Fund.

APPLICABILITY

This policy applies to the Finance Committee who have sole statutory authority to approve the transfer and expenditure of Reserve Fund balances.

POLICY

- the Town shall annually fund the Reserve in an amount equal to 0.75 percent of the General Fund revenues.
- Requests for Reserve Fund transfers shall be initially submitted to the Town Administrator;
- The Town Administrator shall review all requests without unreasonable delay and, whenever possible, submit requests to the Finance Committee with sufficient notice to ensure a thorough and timely review;
- All transfer requests shall be submitted on a standard form and all requisite information must be included before a request will be considered. A request form shall be developed by the Town Administrator and Finance Committee, and shall be made available to department directors;
- Approval of a transfer request must be sought in advance of the expected expenditure in order to avoid an appropriation deficit;
- The Finance Committee may not approve any transfer request for a purpose that has already been placed before Town Meeting and not approved by it.

Debt Management Policy

PURPOSE

A debt management policy is intended to provide guidelines that:

1. ensure high quality debt management decisions
2. impose order and discipline in the debt issuance process
3. promote consistency and continuity in the decision making process
4. demonstrate a commitment to long-term financial planning objectives
5. ensure that the debt management decisions are viewed positively by the rating agencies, investment community, and taxpayers

The policy should encourage practices that maintain debt and debt service levels within supportable standards which demonstrate the town's commitment to improving its infrastructure, to controlling taxpayer burden and to favorably impacting credit ratings.

APPLICABILITY

The Town Treasurer has statutory responsibility for initiating borrowings and overseeing the Town's debt obligations. The purpose of this policy is provide the Treasurer with guidance through a statement of Town goals for the issuance and management of Town debt.

POLICY

- 1) The Town's will strive to maintain a debt ratio no greater than five (5) percent. That is, the annual debt service on General Fund debt (including debt exclusions net of all subsidies, reimbursements and offsets) shall not exceed five percent of the annual General Fund revenues;
- 2) If by vote of the Selectboard, an emergency or significant unforeseen circumstance is declared which can only be addressed through borrowing, the Town may exceed the debt service ceiling.
- 3) The Town will make efforts to schedule future, new debt service to coincide with reduced principal and interests obligations on maturing debt.

- 4) Debt financing for projects supported by General Fund revenue shall be reserved for capital projects and purchases which either cost in excess of \$250,000 or have an anticipated life span of five years or more.

JM: is this an accurate statement of town intent

- 5) A bond term will not exceed the estimated useful life of the capital purchase or project being financed;
- 6) The target average maturity of all debt shall be 10 years or less; and that at least fifty (50) percent of the outstanding debt (principal net of debt exclusion and enterprise fund amounts) shall mature within ten years.

Capital Improvement Program Policy

The tangible (capital) assets of the Town, in the form of public buildings, facilities and infrastructure, rolling stock and machinery, and equipment including technology are central to efficient operations and the services provided to residents. When well-maintained and enhanced, they add to the quality of life in the Town. Consequently, a program that maintains the condition and functionality of these assets; enhances their value and lifespan; and that advocates new investment as need arises is an important, ongoing responsibility of town government.

The Town is committed to establishing and maintaining a process for reviewing and prioritizing capital needs each year and into the future. This policy is intended to work in tandem with the bylaws of the Town. Therefore, it is the goal of the Town to establish and sustain a capital improvement program that:

- 1) defines what qualifies as a capital expenditure;
- 2) assigns responsibility for reviewing all capital expenditure requests from town departments, boards, committees and commissions and for making funding recommendations.
- 3) outlines a capital budget process calendar.
- 4) develops criteria, objective and otherwise, for evaluating and prioritizing annual and long-term capital needs;
- 5) considers the availability of Town resources, funding options, the Town's ability to pay for capital requests and potential property tax impacts.
- 6) establishes and maintains a long-term Capital Improvement Plan (CIP) projecting at least four (4) years into the future;

Accordingly,

- The Town has adopted a bylaw that establishes a Capital Improvements Plan Committee and will explore amendments to bring the bylaw into conformance with this policy.

- It is the policy of the Town that any purchase or acquisition of goods or services costing \$10,000 or more or has a useful life of five (5) years or greater qualifies as a capital expenditure.
- It shall be the responsibility of the Capital Improvements Plan Committee to arrive at recommendations for all Capital expenditures and to present them to Board of Selectmen and the Finance Committee for the purpose of reaching consensus on the proposed expenditures.
- All capital projects must be justified as providing a basic service, improving or rehabilitating deteriorated facilities, reducing costs, promoting jobs, providing an essential benefit to a large population segment or as addressing a critical need in a section of the Town.
- All capital improvement proposals are to be prioritized according to the following criteria levels:

Primary: The proposed expenditure

- Involves public safety
- Is court ordered
- Is necessary to comply with State or Federal law or regulations
- Is necessary to meet a contractual obligation
- Has a written commitment of full grant funding.

Secondary: The proposed expenditure

- Provides a reasonable and documented cost savings
- Includes probable grant commitments
- Will satisfy a justified need
- Is a continuation of prior funding.

Tertiary: The proposed expenditure

- Avoids a future cost
- Is part of a schedule of planned improvements
- Provides a significant improvement of service
- Has been deferred from prior years

- The Capital Improvements Plan Committee shall create and distribute forms and otherwise gather information necessary for its purposes in accordance with a budget

calendar jointly agreed to in advance by the Committee, Finance Committee and Town Administrator.

- In its deliberations, the Capital Plan Committee must consider whether a proposed expenditure is compatible with other planned projects and overall development plans.
- The Capital Plan Committee shall annually review all previously funded projects or purchases and if incomplete, consider whether further capital appropriations to the particular department are justified. If a previously funded project or purchase is complete or abandoned, the Committee shall determine whether any remaining unspent funds should to be recommitted to other capital projects or purchases.
- The Capital Improvements Plan Committee shall consider funding sources, which may include, but are not limited to, General Fund revenues, Free Cash, Stabilization Funds, CIP Trust Fund, Sewer Enterprise-Retained Earnings and Bond Proceeds.
- Capital Improvement requests shall not be considered at a Special Town Meeting, unless the requests clearly meets one of the listed Primary criteria.
- No proposed capital expenditure shall be voted-on by Town Meeting unless submitted to and considered by the Committee.
- The Capital Improvements Plan Committee shall review this policy and the town bylaw periodically and if warranted, make recommendations for modifications to the Board of Selectmen.

Investment Policy

PURPOSE

Massachusetts General Laws places responsibility in the Town Treasurer for the investment of all public funds with the exception of funds intended for immediate distribution. In addition, statutes set out investment rules and guidelines for various town funds. This policy is intended to reflect the town's commitment to comply with state law and to support the Treasurer as she carries out her duty to insure that invested town money is protected and safeguarded, and that adequate cash flow is maintained to meet the Town's operational needs.

APPLICABILITY

This policy applies to the Town Treasurer who has sole statutory authority to have custody off and manage town funds. The Town Treasurer will maintain a separate, written, detailed investment policy consistent with the following general policy principals to:

POLICY

- 1) Maximize the return on the Town's portfolio, with the primary objectives of safety of principal, liquidity of funds and maximum yield.
- 2) Manage short term investment decisions in accordance with the requirements of MGL c.44 §55;
- 3) Build diversification into the Town's portfolio a) in terms of maturity and b) in terms of instrument type and issuer, with the exception of U. S. Treasury obligations and agencies, state pools and investments fully collateralized.
- 4) Set performance expectations that the Treasurer, and any Assistant Treasurer, act in strict adherence with the state conflict of interest law under MGL c.268A.
- 5) Make overall investment decisions in accordance with "prudent person" standards under MGL c. 203C and as otherwise allowed by state law.

Audit Policy

PURPOSE

The purpose of this policy is to underscore the Town's commitment to the completion of independent audits, and in doing so, to strengthen public confidence in the Town's finance-related practices.

APPLICABILITY

The Town Accountant is the custodian of the town's official financial records which document all financial activity in municipal government. As such, she must be cognizant of and compliant with these policies.

POLICY

- Year-end financial statements shall be reliable, accurate, and complete.
- Internal financial controls shall be in place and executed to protect community assets.
- An audit of the Town's year-end financial statements shall occur annually.
- The principal person engaged to complete the audit shall be a Certified Public Accountant with Massachusetts municipal audit experience.
- Comments and issues cited in the auditor's management letter will be reviewed and, if warranted, addressed with appropriate corrective action.

Other Post Employment Benefits Policy

PURPOSE

Other Post Employment Benefits (OPEB) refer to benefits, other than pensions, that town employees earn while actively working, but don't receive until they retire. The largest OPEB cost is for health insurance, but coverage for dental, vision, prescription drugs, etc. can be included as well. In 2004, the Governmental Accounting Standards Board (GASB Statements 43 & 45) directed that towns account for these liabilities and to complete actuarial analyses to identify their total OPEB liability. More recently, whether a Town has a policy for addressing OPEB has become a concern of auditors and bond rating agencies.

Therefore, in order to avoid any potential detrimental impact OPEB costs might have on the Town's annual operating budget; to help ensure positive audit results; and to protect the Town's bond rating, it is the policy of the Town to:

APPLICABILITY

The Selectboard and the Finance Committee, through formulation and approval of the annual town budget, are obligated to ensure that these policy objectives are met.

POLICY

- Maintain the OPEB liability trust fund already established under MGL, Chapter 32B, §20
- Arrange for the completion of an OPEB actuarial analysis every three (3) years as required by GASB Statements 43 & 45.
- Appropriate in the Town General Fund budget and in any Enterprise Fund budget an amount each year into the OPEB liability trust fund. Based on recommendations of the Finance Committee, the General Fund appropriation shall be no less than one (1) percent of the town's overall liability.
- Analyze the level of annual contribution needed to achieve full funding of the Town's OPEB liability over a specified period of time.

Departmental Receipts

PURPOSE

All revenues received by a Town of Deerfield department, board or committee must be accurately accounted for and then turned over to the Town Treasurer in accordance with the Town's turnover procedures. The purpose of this policy to establish rules for cash handling and documentation that apply equitably and consistently across all departments.

APPLICABILITY

This policy applies to all departments, boards, committees, commissions and individuals who receive and take temporary custody of money payments (receipts) to the Town. Town receipts include, but are not limited to, taxes, excises, fees, penalty charges, grants and gifts, whether received in the form of currency, coin, check or other draft, wire or other electronic funds transfer.

POLICY

- All departments should maintain a receipts log, in electronic or hard copy form, that records the date and amount of a payment received, the person's name making the payment and the purpose of the payment. The receipts log should be reconciled with amounts indicated on a departmental revenue report that is periodically received, or can be requested, from the Accountant.
- In every instance, acceptance of a payment to the Town must be documented by a pre-numbered, two-part receipt. One copy must be retained as a town record and turned-over with collections of currency, coins, checks to the Treasurer. The second copy may be returned to the person making payment.
- Under no circumstances may a department directly disburse departmental receipts. All Departmental disbursements, regardless of payment method, must be paid through a Vendor or Payroll Warrant process.
- All department staff receiving or otherwise permitted to handle funds on behalf of the town must be covered by a surety bond. Accordingly, department heads must submit to the Treasurer the names of all such staff.

- All collections in the possession of a Department must be held in a location that is secure from potential fire and theft. At the very least, funds must be secured in a lock box which, in turn, is locked overnight in a safe, desk draw or file cabinet.

Turnover Policy

PURPOSE

Under MGL Chapter 44, §53, all municipal receipts must be placed in the custody of the Town Treasurer. The purpose of this policy is to establish procedures to ensure the timely turnover of receipts by departments and the inclusion of proper documentation. This in turn makes certain that town revenues are available to meet cash flow needs, that investment income can be earned and that town records are up-to-date and accurate.

APPLICABILITY

This policy applies to all departments, boards, committees, commissions and individuals who receive and take temporary custody of money payments (receipts) to the Town. This policy also applies to the Town Treasurer and her staff. Town receipts include, but are not limited to, taxes, excises, fees, penalty charges, grants and gifts, whether received in the form of currency, coin, check or other draft, wire or other electronic funds transfer.

POLICY

- All departments or persons post or otherwise record receipts in a timely fashion
- All departments receiving payments, whether in checks, cash, coins, other draft or wire transfer, on behalf of the Town must turn over collections to the Town Treasurer once a week or as otherwise agreed with the Treasurer.
- Cash, coins and checks must be submitted to the Treasurer together with a receipts log and a completed turnover sheet in a form prescribed by the Treasurer.
- The Treasurer or Assistant Treasurer shall verify that total submitted receipts match the total amount indicated on the Turnover sheet in the presence of the departmental staff person delivering the collections. If any variance cannot be resolved at that time, then the entire turnover – money and documentation - shall be returned to the department for resolution.
- Once verified, the Treasurer signs and retains a copy of the turnover sheet. The Department staff member delivers a photocopy of the signed copy to the Accountant and retains a third copy for department records.

- Departmental receipts should be delivered to the Treasurer during normal business hours. If the Treasurer or Assistant Treasurer are not available, receipts should not be left.

Departmental Expenditures

PURPOSE

On July 1 each year, all departments and others with spending authority are permitted to make purchases to support and carry-out municipal services. The purpose of an expenditure must be consistent with the purpose of the line-item account to be charged and the account must have balance sufficient to cover the expenditure. Payments are made only through the warrant process and only after all goods are received or services are rendered to the town, including employee wages and salaries.

APPLICABILITY

This policy is directed to all departments, boards, committees, commissions and individuals with spending authority and to the Town Accountant.

POLICY

- Vender and Payroll warrants shall be processed and payments shall be disbursed every two weeks in accordance with a schedule established by the Accountant prior to the start of the fiscal year.
- Payments to vendors shall be made only after goods are received by and services are rendered to the Town, and to employees only after pay periods are complete and time on the job is documented.
- Vendor payments for goods or services shall be processed only on submission of an original invoice addressed to the Town and signed by the department head. Electronic invoices received from vendors may be submitted only if acceptable to the Town Accountant.
- No department, board, committee or commission with spending authority shall create a deficit by making a purchase or creating town liability in excess of funds available in the account to be charged, unless already allowed by law.

User Fee Policy

PURPOSE

User fees are an annual reported local receipt that reflect departmental charges and voluntary payments by residents and others for permits, licenses, program participation and services provided. The purpose of this policy is to establish the Town's commitment to regularly review fees

APPLICABILITY

This policy applies in general to the Selectboard who review and approve fees and in particular to all departments, boards, committees, commissions and individuals that receive user fees.

POLICY

- Town fees should be reviewed at least once every three (3) years by the Selectboard or the elected board, committee and commission that oversee a department or program.
- Individual fees shall be set so that total anticipated annual receipts reasonably cover the estimated yearly cost to provide the program or service.
- All user fees collected by departments, officers, boards, committees and commissions must be turned-over to the Treasurer in accordance with the Town's Turnover procedures.

Enterprise Fund Policy

PURPOSE

Enterprise fund accounting is permitted under Ch. 44 §53F½ for departmental operations that are funded predominantly by rates and have stand-alone business-like characteristics.

Revenues and expenditures associated with the services provided are accounted for separately from the Town's General Fund and thereby offer a clear view of department financial activity.

APPLICABILITY

All town departments that operate in accordance with enterprise accounting must comply with this policy. A review of town and department practices to measure compliance with this policy falls primarily to the Finance Committee.

POLICY

- The Town will adopt Enterprise fund accounting only purposes specified in Ch. 44 §53F½.
- Town Enterprise Funds are to be self-sufficient, that is, the annual costs to provide services are to be fully covered by annual rate income, fees and other revenue generated by the business of the Enterprise. Enterprise revenue may only be used to support the purposes of the specific enterprise.
- The department operating under Enterprise Fund accounting is subject to the same annual operating budget process and budget approvals as all other town departments.
- Rates will be reviewed annually and, if adjusted, new rates shall take effect prospectively.
- The Enterprise department is subject to the Town's Capital Improvement Program Policy and procedures.
- The Town will strive to generate and maintain enterprise retained earnings to be used to fund capital projects, reduce rates or close year-end deficits.

- The Enterprise department shall pay, if so determined, indirect costs to the General Fund to account for services provided by Town employees relating to and for the benefit of the enterprise business.

Anti-Fraud Policy

PURPOSE

Public trust is critical to the success and integrity of municipal government. Employee confidence in government is equally essential. The purpose of this policy is to underscore that the Town understands the value of these goals and is committed to the protection of town property, information and assets.

APPLICABILITY

This Anti-Fraud policy applies to all municipal staff, volunteers, elected officials, vendors, agencies as well as other third parties.

POLICY

- The Town will protect its assets and interests and to ensure a coordinated approach toward resolution of financial fraud whenever detected.
- The Town will endeavor to increase awareness as to the meaning, definitions and actions that constitute fraud, including but not limited to the misappropriation of assets, fraudulent financial reporting and incurrence of expenditures and liabilities for improper purposes.
- The Town will define protocols for employees to follow, without risk of retribution, for reporting suspected fraudulent activity.
- The town will, through its employees and accepted procedures, act to prevent and deter fraud through the diligent implementation of financial controls.
- The Town commits to investigate any suspected acts of fraud impartially, confidentially and without regard to the position, title, length of service or relationship of any person, group or organization, and to solicit the assistance of law enforcement agencies when warranted.
- If suspicion of fraud is substantiated, the Town will carefully consider options, including legal action, and will otherwise act to impose appropriate penalties, including punitive penalties, up to and including dismissal.

Employee Guidelines

Procurement Cards

The Town of Deerfield has established a procurement card program to provide for the rapid acquisition of primarily low dollar items. The program is intended to promote purchasing efficiency, flexibility and convenience as well as to reduce paperwork and improve controls. The purpose of these policies and procedures is to establish guidelines to govern the issuance and use of procurement cards.

The Town Treasurer shall administer the Town's procurement card program. The Treasurer shall, in consultation with the Town Administrator and Accountant, set rules, establish procedures and make all decisions involving the selection of financial institutions, the issuance of procurement cards to employees, purchase limits, permitted and prohibited uses, procedures to be followed, employee responsibilities and any and all controls related to card use. This Procurement card policy applies to all departments and all employees of the Town of Deerfield.

Permitted Procurement Card Use

- Procurement cards are to be used for town business only and primarily for the purchase of goods and materials.
- Purchases may include over-the-counter transactions, online sales or purchases by telephone.
- Procurement cards may be used for an individual purchase up to \$500 in value. Multiple items may be combined into a single purchase, but a single purchase may not be divided in order to create two or more individual purchases under \$500.
- Procurement card purchases are further governed by MGL, Chapter 30B (State Uniform Procurement Act)

Prohibited Procurement card Use

The following are prohibited uses of the procurement card.

1. Personal purchases of any kind
2. Personal purchases with the intention of reimbursing the Town
3. Cash advances through bank tellers or automated teller machines
4. Funding gift cards
5. Services (e.g., consultant fees, repair work, temporary help, etc.) with the exception of payment for trainings or seminars
6. Use for paying other invoices

7. Alcoholic beverages, drugs of any kind and tobacco
8. Payment for services rendered ??

Employee Responsibilities

The success of the Town Procurement card Program relies on the cooperation and professionalism of all personnel to whom a procurement card is issued. Cardholders are expected to be aware of and conform with program rules.

Unauthorized or improper use of the procurement card may result in the suspension of card privileges. Other possible steps disciplinary action, termination and/or recovery from the Cardholder for any financial liability incurred by the Town as a result of a Cardholders neglect of the program rules and procedures.

Authorized Use. Only the authorized cardholder may use a procurement card. Under no circumstances may a cardholder give his/her procurement card to anyone else for their use.

Unauthorized Purchase. Department Directors are responsible for ensuring that procurement card purchases are authorized and for addressing issues with an employee or a vendor. Resolution for improper use of the procurement card is the responsibility of the Department Director.

Security. Cardholders are responsible for the security of their Procurement card and protection of the card account number, expiration date and security code.

Purchases. When using the Procurement card, the Cardholder must following procedures:

1. Ensure that the goods or services? to be purchased are budgeted, allowable and that funds are sufficient in the account to be charged to cover the intended cost.
2. Verify that purchase cost is within the Cardholder's Procurement Card limits.
3. Advise the vendor of the Town's tax exempt status and provide its tax exempt number: 04-6001126. Request a credit if taxes were charged in error.

Documentation

For Over-the-Counter Purchases

Obtain, at the time the procurement card is used, an original, detailed transaction receipt that is marked by the vendor as "paid." The receipt must include the

following information: vendor's name, transaction date, description of each item purchased, unit cost, the cardholder's name and signature.

For Internet Purchases

Print the confirmation page from the vendor's website showing the the details of the order.

On receipt of the purchased item, remove and attach any packing slip, or other documents, to the confirmation page

For Telephone Purchases

Request a confirmation of the order by fax.

Request also from the vendor an original, detailed transaction receipt marked paid.

On delivery of the purchased item, remove and attach any packing slip, or other documents, to the confirmation page

Return, Exchange or Credit. If it cannot be determined that the purchase was necessary, for Town use, and in accordance with policies and procedures, the Cardholder must provide documentation proving the items have been returned for credit. If items purchased are found defective or the repair or services faulty, the Cardholder has the responsibility to return the items to the merchant for replacement or credit. Cash refunds will not be permitted. If the merchant refuses to replace or correct the faulty item, the purchase of this item will be considered to be in dispute.

Termination or Transfer. On termination or transfer for any reason, the Cardholder must immediately relinquish their Procurement Card to the Treasurer or to his/her Department Director. A Cardholder who fraudulently uses the Procurement card after separation from the Town will be subject to legal action.

Lost or Stolen Card. It is the responsibility of the Cardholder to immediately notify the Town Treasurer of a lost or stolen Procurement Card.

Audits. Random audits may be conducted for both card activity and receipt retention as well as statement review by the Town Treasurer.

Procurement Card Statements and Vendor Warrant

Credit card debit balances as reported on monthly statements must be submitted to the accountant and paid through the vendor warrant process.

Department Heads are to treat credit card statements as invoices and submit them to the Accountant for payment in a timely fashion.

For all transaction for which payment is due, receipts, confirmation pages, packing slips as described above, must be attached.

Reimbursements

Employees are expected to use municipal vehicles, equipment and other available resources when on or conducting town business. Personal use of town-owned property is not permitted. In addition, the Town discourages employees from using or making purchases for Town purposes with personal funds. However, the Town also recognizes that there are circumstances when the expectation of reimbursement is reasonable.

All employee purchases or use of personal funds made in expectation of reimbursement must be approved in advance by the Department Head. With pre-approval, the Department Head acknowledges that the purpose of the expenditure is lawful, justified and there are sufficient funds in an appropriate line-item to cover the charge.

Departmental Purchases

An out-of-pocket purchase may be necessary to the everyday work of the department. In these instances, reimbursement is permitted only in extraordinary circumstances as determined in advance by the Department Head, which may include, but are not limited to, emergencies, unforeseen occurrences, when it is impractical to wait for an invoice, or the vendor will not provide accept later payment pursuant to an invoice.

Telephone Usage

Town employees are required to use town telephone landlines or town-issued cell phones for all municipal business. The Town will not reimburse employees for use of personal cellular phones or any other personal devices on Town business.

Mileage

The Town will only pay a mileage reimbursement to employees for town-business related travel in their personal vehicles. To receive reimbursement, the employee must submit a Mileage Reimbursement form to his/her department head indicating actual mileage traveled, which is verifiable per Google Maps, MapQuest or similar software program.

The Select Board will annually review and set the mileage reimbursement rate and so inform employees. The rate is inclusive, that is, no separate reimbursement is permitted for gas, tolls, or other unexpected costs.

Travel

Any reimbursement to employees for out-of-pocket expenses related to off-site meetings, conferences and events must be pre-approved by the Department Head.

Accommodations. The Town will reimburse employee for reasonable hotel or motel costs and for a length of stay that reflects the duration of the meeting, conference or event. The employee is responsible for any additional charge if accompanied by a spouse or significant other.

Meals. The Town will reimburse employees when traveling on Town business up to: \$10 for breakfast; \$15 for lunch; and \$35 for dinner, if not already included in conference or seminar fees. The meal allowance is for the employee only. Spouses and significant others must be paid for separately.

Miscellaneous or Unexpected Expenses. An employee may seek reimbursement for unforeseen expenses incurred during travel and in relation to town business. A reimbursement request form must be completed, with appropriate explanations, and approved by the Town Administrator to receive payment.

In no instance will the Town reimburse employees for the costs of alcohol, tobacco, movies, laundry, snack food, etc.

As a rule, no sales tax can be reimbursed. Except that, the Board of Selectmen may approve reimbursement to an employee for sales tax paid if it determines that the purchase was justified and could not otherwise be completed.

To avoid reimbursement situations, departmental purchases should always be made from vendors where the Town has a standing account or from vendors who are willing to invoice the town after the sale.

The Town will not, under any circumstances, reimbursement employees for out-of-pocket payments for services rendered.

An employee seeking reimbursement for an out-of-pocket expenditure must fully complete and submit the request on standard forms available from the Town Accountant.

Anti-Fraud Procedures

Scope & Definition of Fraud

Fraud generally involves a willful or deliberate act with the intention of obtaining an unauthorized benefit, such as money or property, by deception or other unethical means. All fraudulent acts are included under this policy and include such things as:

- Embezzlement, misappropriation or other financial irregularities
- Forgery or alteration of documents (checks, time sheets, contractor agreements, purchase orders, other financial documents, electronic files)
- Improprieties in the handling or reporting of money or financial transactions
- Misappropriation of funds, securities, supplies, inventory, or any other asset (including furniture, fixtures and equipment)
- Authorizing or receiving payment for goods not received or services not performed
- Authorizing or receiving payments for hours not worked

General Protocol – Reporting Procedure

Anyone who believes fraud has occurred should report such incident. Employees are protected under Massachusetts General Law, Chapter 149, section 185, from retaliatory actions by the employer.

Use the channel of communication with which you are most comfortable. Accordingly, you may report your concerns to your immediate Supervisor, Department Director, Committee/Board Chair, Town Administrator, Selectboard Member or Police Department.

Immediate Supervisors, Committee/Board Chairs and Department Directors must report all apparent cases of fraud brought to their attention to the Town Administrator. In the case the fraudulent activity involves the Town Administrator; the individual should report the incident to the Selectboard.

Responsibilities

All levels of management are responsible for establishing and maintaining proper internal controls that provide security and accountability for the resources entrusted to them. Managers should be familiar with the risks and exposures inherent in their areas of

responsibility and be alert for any indications of improper activities, misappropriation, or dishonest activity.

Responsibilities of management and non-managerial staff for handling fraudulent activities include the following:

- Insure that notification promptly reaches the Town Administrator, and if, appropriate the Police Department. Refer to "General Protocol – Reporting Procedure".
- If the situation warrants immediate action – for example, obvious theft has taken place, security is at risk, or immediate recovery is possible – management and non-managerial staff receiving reports should immediately contact the police department.
- Do not contact the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to "what you did", "the crime", "the fraud", "the forgery", "the misappropriation", etc.
- Managers should consult with the Town Administrator to determine if any immediate personnel actions are necessary.
- *Do not discuss the case, facts, suspicions, or allegations with anyone*, unless specifically directed to do so by the Town Administrator, Selectboard or Police.
- Direct all inquiries from any suspected individual, his or her representative, or his or her attorney to the Town Administrator. Direct all inquiries from the media to the Town Administrator.

Great care must be taken in the dealing with suspected fraudulent activities to avoid any incorrect accusations, alerting suspected individuals that an investigation is under way, violating any person's right to due process, or making statements that could lead to claims of false accusation or other civil rights violations.

The Town Administrator may coordinate investigation of any suspected dishonest or fraudulent activity, which, in its opinion, may represent risk of significant loss of assets or reputation to the Town. The Town Administrator may work with internal or external departments, such as the Town Counsel, Town Auditors and the Department of Revenue, as circumstances may require.

The Town Administrator is available and receptive to receiving relevant information on a confidential basis and may be contacted directly whenever a fraudulent activity is suspected.

Town management will support administrative responsibilities and will cooperate with the Auditors and law enforcement agencies in the detection, reporting, and investigation of

fraudulent acts, including prosecution of offenders. The administration and auditor has full unrestricted access to all records and personnel of the Town. Every effort should be made to effect recovery of Town losses from responsible parties or through Town insurance coverage.

The Town Administrator will review the results of any investigations with responsible management and administrators as necessary, making recommendations for improvement to the systems of internal control.

Non-Fraud Irregularities

Identification or allegations of acts outside the scope of this policy, such as personal improprieties or irregularities, whether moral, ethical, or behavioral, safety or work environment related, or complaints of discrimination or sexual harassment, should be resolved by the respective area management in conjunction with Administration. Examples include employee misconduct, sexual harassment, and the MGL Chapter 268A conflict of interest law (this list is not all-inclusive).

Town Counsel may be contacted if guidance is needed to determine if an action might constitute fraud as defined in this policy.